

Recapitalizing the Fleet Through Centralization of Functions

12 March 2004

Team 5

Agenda

- Background
- Functions of a FISC
- Recommended FISC alignment
- Projected Savings
- The Way Ahead

Team Members

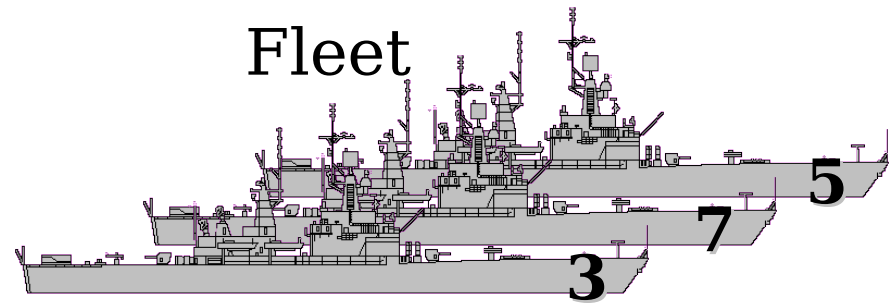
- Eileen Dohrmann, NAVICP-Philadelphia
- Charles Dupray, FISC Yokosuka
- Harry W. Farmer, Marine Corps Base Camp S. D. Butler, Okinawa
- Joe Mauser, PEO(W), Pax River
- Ed Sewester, PWC Great Lakes

Why Centralize?

Optimize existing budget to assist in attaining \$275B savings



.... to provide for the right-sized future
Fleet



Scope of Project

- Purpose: Provide a standard template and considerations for consolidation of functions that can be used at any USN Command
 - Recapitalize the Fleet within current funding limitations
- Framework: Project uses what the NAVSUP Fleet & Industrial Supply Centers (FISCs) instituted to illustrate the centralization of functions

Centralization

- Characteristics
 - Top management has wide span of control
 - Reduced overhead
 - Economies of scale
 - Reduced redundancy

Decentralization

- Characteristics
 - Function structured by client
 - Moved lines of reporting to client
 - Higher manpower requirement
 - Higher customer intimacy/contact

NAVSUP Transformation

Objectives

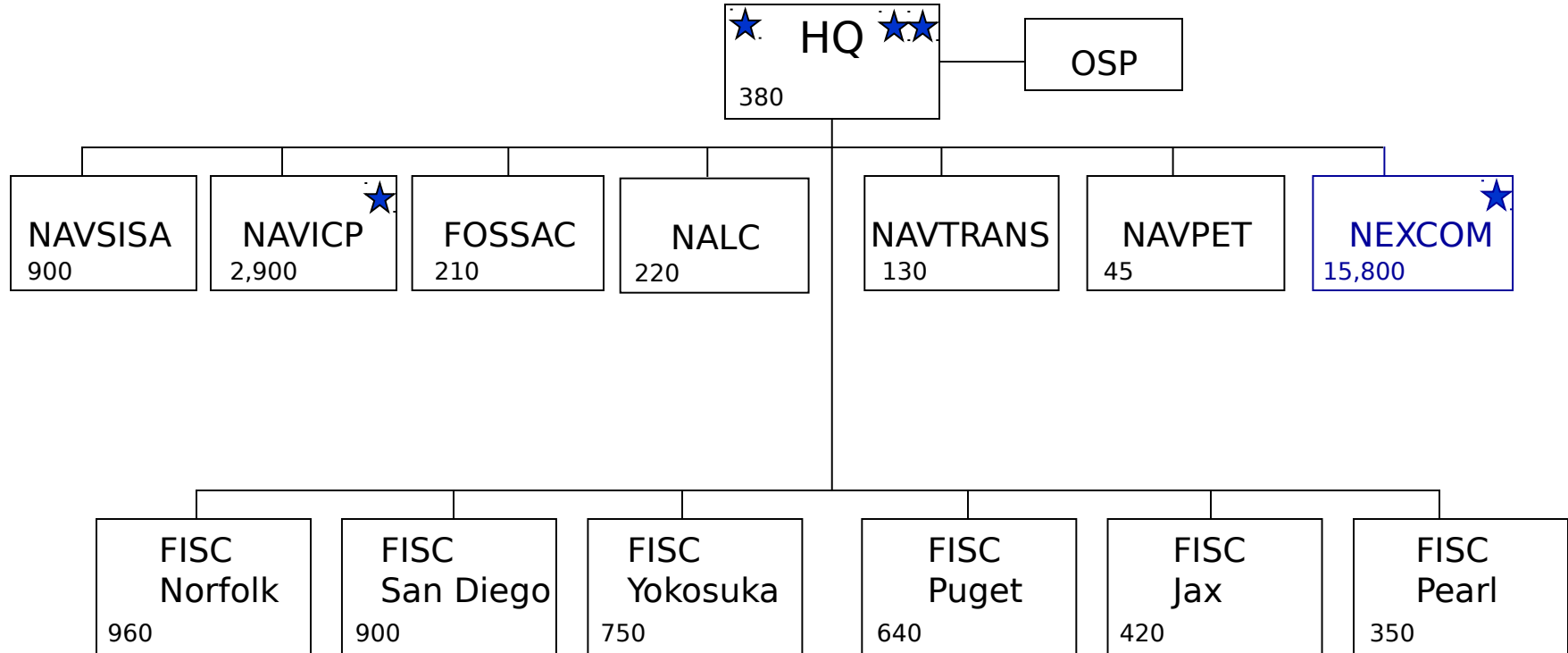
- Target 10 - 25% cost reduction over Program of Record
 - 10% internally for FY04
 - Additional over FYDP including from external sources

Key Tenets

- Mission accomplishment
- Customer alignment
- Clear lines of accountability
- Streamlined organization
- Efficiency, agility and speed of decision making

NAVSUP Structure... ~~Pre Transformation~~

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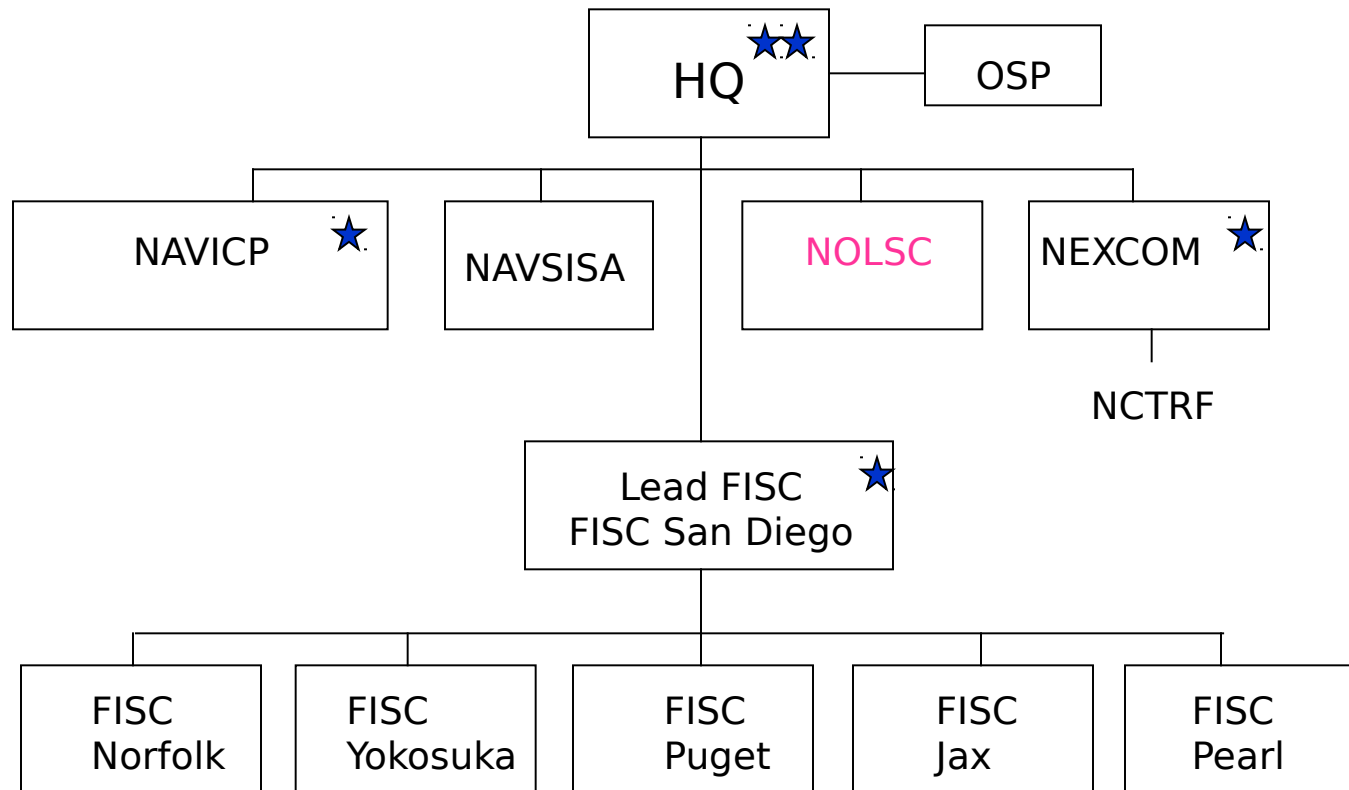
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Business

NAVSUP Structure... ~~Post Transformation~~

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NOLSC = Naval Operational Logistics Support Center

Functions of a FISC

- Major Functions:
 - Material management
 - Fuel distribution
 - Personal Property (Household goods)
 - Hazardous Material management
 - Contracting
 - Comptroller functions

Recommended FISC Alignment

- **Centralize:**
 - PCO contracting functions
 - Personal property scheduling & claims
 - Legal services
- **Regionalize:**
 - ACO contracting functions
- **Retain decentralization:**
 - Personal Property quality assurance
 - Fuel distribution
 - OSH & Hazardous Material management

Influences & Risks

- Redundancy
 - Right-sizing warehouses
- Transportation
- Cost of local area
- Availability of labor force

Projected Savings

COST-BENEFIT ANALYSIS OF CENTRALIZING FUNCTIONS							
	COMFISCS						
	Norfolk	Yokosuka	Puget Sound	Jacksonville	Pearl Harbor	San Diego	Total
FTEs	960	750	640	420	350	900	4020
Reduction (12%)	115	90	77	50	42	0	374
Plus Up (50% of Reduction)	0	0	0	0	0	187	187
Net FTEs	845	660	563	370	308	1087	3833
Net Saving in FTEs	5%						

- Estimate 12% reduction of personnel at 5 of 6 FISCs (374 FTEs)
 - Requires centralized work to shift to FISC San Diego and increase San Diego FTEs by 187 FTEs
- Net estimated FTE savings = 5%
- Future studies may realize additional savings

The Way Ahead

- Further refine approach to ensure compatibility with all Commands
- Expand use of template throughout all USN Commands to realize savings
 - Top-Down & Bottom-up reviews
 - Reduced study timelines
- Tailor template for ease of roll-out to all DOD Services

Fleet Recapitalization ...

an All Hands effort

